



**Sterling federal
Bank**

Sept. 11, 2006

Mr. Robert Feldman, Exec. Secr.
Federal Deposit Insurance Corporation
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Washington, DC 20429

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Re. RIN 3064-AD09 Deposit Insurance Assessments / FHLB Advances

Gentlemen:

We are submitting this letter in response to your request for comments on deposit insurance assessments. Specifically, we object to the inclusion of Federal Home Loan Bank Advances in any definition of "volatile liabilities" and/or in any formula for deposit insurance premiums. FHLB Advances are secured debts of FHLB member banks with predefined and agreed-upon terms. Unlike deposits, they are completely controlled by such member banks and not subject to outside influences. To characterize a secured debt with fixed terms from a financially solid lender as "volatile" makes no sense to us. The FHLB system has been in existence since 1932. It has been a stable source of funds to its members ever since then. To our knowledge, none of the FHL Banks have ever behaved in a "volatile" manner, and have always been a reliable, consistent lender for the past 74 years.

In addition, we wish to point out that FHLB advances are often used to reduce risk at member banks. While customer deposits are subject to early withdrawal and shifting of maturities, fixed term debt is a primary tool for minimizing liquidity risk and interest-rate risk. Penalizing a bank for using such tools by increasing their deposit insurance premiums runs contrary to sound banking principles, and assessing premiums to insure secured debts certainly makes no sense whatsoever.

We urge the FDIC to review its thinking on this matter and exclude FHLB advances from any deposit insurance premium calculations. Please contact the undersigned if you wish to discuss these questions further.

Sincerely,
STERLING FEDERAL BANK, FSB

Michael W. Shoger
Senior Vice President and CFO